

## Case Study - Vijay Kumar

Today is January 24, 2009. Vijay Kumar, aged 30, life expectancy 75, is working with a leading Indian corporate as a project manager for the last 7 years in Ahmadabad. He is presently staying in an unfurnished accommodation provided by his employer. His wife, Khyati, aged 29, life expectancy 80, is a house wife. They have two children- Mayuresh (aged 5 years) and Manjesh (aged 2 years).

Vijay earned following monthly salary for the FY 2007-08:

1.	Basic Salary	Rs. 30,200
2.	D.A (forming part of Salary)	50% of basic salary
3.	City Compensatory Allowance	Rs. 300
4.	Children Education Allowance	Rs. 200 per child
5.	Transport allowance	Rs. 1,000

Further, Vijay shall also receive a performance bonus of Rs. 60,000 from his employer for this year. Vijay has also been recently rewarded by his employer with a good number of ESOPs.

Vijay's monthly expenditure for the FY 2007-08 was:

Particulars	Amount (in Rs.)
Housing expenses ( <i>including traveling, holidays and festivals</i> )	21,000
Contribution to Employee Provident Fund	4,800
Personal loan repayments	13,200
<b>Total</b>	<b>39,000</b>

In addition to this, Vijay also pays Rs. 23,900 annually as premium of his life insurance policies, which consist of 3 endowment policies and 1 unit linked policy. The total life insurance cover under his bouquet of policies is Rs. 12,00,000. Vijay and his family are also insured for their medical expenses under his company's medical claim policy.

Assets of Vijay

Particulars		Amount (in Rs.)
Plot of land (at native place)	Present Market Value	2,00,000
ESOPs	Present Market Value	16,00,000
Equity Shares	Present Market Value	26,000
Equity Mutual Funds	Present Market Value	80,000
Employees' Provident Fund	Present Value	2,22,000
Public Provident Fund	Present Value	12,000
Cash balance	Present Value	10,000
Post Office NSC	Maturity Value on 31/March/2010	32,500

Vijay currently has Rs. 4,80,000 outstanding towards his personal loan balance, for which the EMIs have been included in his current expense structure.

Vijay's parents have retired from Government jobs. They are financially well off and are not dependent on him. At present they are residing in their own house in Bhuj, which is in the name of his father, Dhananjay Kumar. This house was bought by Dhananjay in Sep 1986, the current market value of which is Rs. 12 lakh.

They also have another house in the same city which is in the name of his mother, Jyoti Kumar. This house was bought by Jyoti in Aug 1996, the current market value of which is Rs. 9 lakh. They are getting a monthly rent of Rs. 3,000 from this house.

With additions to his family, Vijay intends to plan his finances and wants to achieve his financial goals within their time horizons.

***Financial Goals\****

1. To buy a house within 1 year; valued approximately Rs. 35 lakh
  2. To buy a car within the next 2 months; valued approximately Rs. 4.50 lakh
  3. To make provision for children's higher education expenses for both children at their age of 21 in lump sum; presently valued at Rs. 3 lakh each.
  4. To make provision for children's marriage expected at the end of 20 years and 25 years from now; presently valued at Rs. 5 lakh each.
  5. To provide for a comfortable retirement at his age of 55.
- (\*expressed in today's values.)

**Assumptions**

- 1) Risk Free Rate of Return = 4% p.a.
- 2) Rate of return on Equity = 15% p.a.
- 3) Rate of return on Debt above 5 years = 9% p.a.
- 4) Rate of return on Debt in 1 to 5 years = 10% p.a.
- 5) Rate of return on Debt in less than 1 year = 5% p.a.
- 6) Inflation = 4% per year.